

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

HSBC HOLDINGS PLC  
Form 6-K  
November 20, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer  
Pursuant to Rule 13a - 16 or 15d - 16 of  
the Securities Exchange Act of 1934

For the month of November, 2006

HSBC Holdings plc

42nd Floor, 8 Canada  
Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F  Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes  No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .....

HSBC BANK MALAYSIA BERHAD  
RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006 - HIGHLIGHTS

- Profit before allowance for losses on loans and financing up 38.1 per cent to MYR782 million for the nine months ended 30 September 2006 (MYR566 million for the same period in 2005).
- Profit before taxation of MYR706 million for the nine months ended 30 September 2006, MYR132 million or 23.1 per cent higher than the MYR574 million reported for the same period in 2005.
- Cost efficiency ratio improved to 45.7 per cent from 50.2 per cent for the corresponding period in 2005.

Net interest income for the nine months ended 30 September 2006 was up 21.6 per cent to MYR723 million (MYR594 million for the same period in 2005). This was principally driven by loan growth of MYR3.2 billion, or 14.8 per cent year-on-year. This favourable performance was also attributed to three upward revisions to our base lending rate (BLR) of 25 basis points each in December 2005, February 2006 and April 2006 and the bank's strategy to focus on higher

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

margin products.

Other operating income for the nine months ended 30 September 2006 increased 27.6 per cent to MYR594 million (MYR465 million for the same period in 2005). This was supported by:

- foreign exchange trading profits due to increased hedging activity by corporates, and greater trading opportunities arising from foreign exchange rate volatility; and
- profit gain from the disposal of a merchant acquiring credit card business in July 2006 to a joint venture between HSBC and Global Payments Inc.

Income from Islamic banking operations rose by 61.2 per cent for the nine months ended 30 September 2006 to MYR123 million (MYR76 million in the same period last year). This was due to growth in the bank's Islamic balance sheet - up MYR1.5 billion, or 38.9 per cent, to MYR5.5 billion compared to the same period last year.

Other operating expenses at MYR658 million (MYR570 million for the nine months ended 30 September 2005) were up 15.4 per cent mainly as a result of higher staff costs as total staff count increased, and higher inter-company expenses.

Allowance for losses on loans and financing was MYR76 million for the nine months ended 30 September 2006 compared to net write-back of MYR7.5 million for the nine months ended September 2005. This was mainly due to significant specific allowance release from a number of large, previously non-performing loans in 2005.

Total assets of MYR40.8 billion at 30 September 2006 grew by MYR4.3 billion, or 11.6 per cent, compared with MYR36.5 billion at 31 December 2005, mainly attributed to higher loans, advances and financing (up MYR3 billion or 13.8 per cent).

The increase in total assets was primarily funded by customer deposits (up MYR2.4 billion or 8.5 per cent compared to 31 December 2005) as a result of various deposit campaigns run as part of our strategy to grow liabilities.

Zarir J Cama, deputy chairman and CEO of HSBC Bank Malaysia Berhad, said: "HSBC Bank Malaysia Berhad achieved a record profit before tax of MYR706 million in the first nine months of the year, 23 per cent higher than the corresponding period in 2005. This demonstrates the success of our strategies, and I am confident that we can sustain this momentum going forward.

"We are well positioned to tap the business opportunities in areas of growth, amid the fast changing and expanding business environment under the Malaysian Government's liberalisation of the banking industry. We will continue to grow our Islamic banking book and, at the same time, focus on our Takaful business to help position Malaysia as a global Islamic financial centre. During the quarter, we achieved one million credit cards in circulation and we are now one of the top three credit card issuers in Malaysia. We will focus on increasing our revenue by deepening relationships with our existing and new customer base. We will also grow our SME portfolio by offering our clients customised business and trade services.

"In order to drive our business to the next level, we have focused on improving customer service quality, introduced innovative products, enhanced productivity and increased brand visibility."

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

UNAUDITED CONDENSED BALANCE SHEET AT 30 SEPTEMBER 2006

Figures in MYR '000s	Group		Bank	
	30Sep06	31Dec05	30Sep06	31Dec05
<b>Assets</b>				
Cash and short-term funds	6,196,863	7,710,602	6,196,863	7,710,602
Securities purchased under resale agreements	2,396,431	1,449,760	2,396,431	1,449,760
Deposits and placements with banks and other financial institutions	1,231,157	479,942	1,231,157	479,942
Securities held-for-trading	1,089,987	703,727	1,089,987	703,727
Securities available-for-sale	3,587,203	3,284,735	3,587,203	3,284,735
Loans, advances and financing	24,437,948	21,476,706	24,437,948	21,476,706
Other assets	565,823	371,825	565,823	371,825
Statutory deposits with Bank Negara Malaysia	898,448	698,948	898,448	698,948
Investment in subsidiary companies	-	-	21	21
Property, plant and equipment	302,573	304,916	302,573	304,916
Intangible assets	21,474	5,228	21,474	5,228
Deferred tax assets	72,000	59,851	72,000	59,851
<b>Total assets</b>	<b>40,799,907</b>	<b>36,546,240</b>	<b>40,799,928</b>	<b>36,546,261</b>
<b>Liabilities</b>				
Deposits from customers	30,720,761	28,317,351	30,720,782	28,317,372
Deposits and placements of banks and other financial institutions	2,849,630	1,954,799	2,849,630	1,954,799
Obligations on securities sold under repurchased agreements	1,899,921	1,617,617	1,899,921	1,617,617
Bills and acceptances payable	468,419	475,940	468,419	475,940
Other liabilities	1,252,852	942,517	1,252,852	942,517
Recourse obligation on loans sold to Cagamas Berhad	923,404	787,931	923,404	787,931
Provision for taxation and zakat	64,723	29,716	64,723	29,716
<b>Total liabilities</b>	<b>38,179,710</b>	<b>34,125,871</b>	<b>38,179,731</b>	<b>34,125,892</b>
<b>Shareholders' funds</b>				
Share capital	114,500	114,500	114,500	114,500
Reserves	2,505,697	2,155,869	2,505,697	2,155,869
Proposed dividend	-	150,000	-	150,000
<b>Shareholders' funds</b>	<b>2,620,197</b>	<b>2,420,369</b>	<b>2,620,197</b>	<b>2,420,369</b>
<b>Total liabilities and shareholders' funds</b>	<b>40,799,907</b>	<b>36,546,240</b>	<b>40,799,928</b>	<b>36,546,261</b>

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Commitments and contingencies	63,288,414	47,716,860	63,288,414	47,716,860
-------------------------------	------------	------------	------------	------------

### UNAUDITED CONDENSED INCOME STATEMENT FOR THE THIRD QUARTER/PERIOD ENDED 30 SEPTEMBER 2006

#### Group and Bank

Figures in MYR '000s	Third quarter ended		Nine months ended	
	30Sep06	30Sep05	30Sep06	30Sep05
Revenue	779,309	597,081	2,097,632	1,647,154
Interest income	465,174	368,905	1,285,463	1,062,897
Interest expense	(211,870)	(164,466)	(562,903)	(468,698)
Net interest income	253,304	204,439	722,560	594,199
Other operating income	231,397	183,080	593,825	465,222
Income from Islamic banking operations	49,490	29,681	123,206	76,429
Operating income	534,191	417,200	1,439,591	1,135,850
Other operating expenses	(211,912)	(210,090)	(657,687)	(569,686)
Profit before allowance	322,279	207,110	781,904	566,164
Allowance for losses on loans and financing	(29,219)	30,325	(75,761)	7,533
Profit before taxation	293,060	237,435	706,143	573,697
Taxation	(78,498)	(67,439)	(202,806)	(163,310)
Profit attributable to shareholders	214,562	169,996	503,337	410,387
Earnings per MYR0.50 ordinary share				
- basic/diluted	93.7 sen	74.2 sen	219.8 sen	179.2 sen
Dividends per MYR0.50 ordinary share (net)				
- paid in respect of prior year	-	-	65.5 sen	43.7 sen
- interim dividend paid	65.5 sen	52.4 sen	65.5 sen	52.4 sen

#### Remarks:

##### 1. Change in Accounting Policy

During the nine months ended 30 September 2006, the bank adopted a new accounting standard, FRS2 on Share-based Payment. FRS2 requires companies to adopt a fair-value-based method of accounting for share-based compensation plans which takes into account vesting conditions related to market performance, for example total shareholder return. Under this method, compensation cost is

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

measured at the date of grant based on the assessed value of the award and is recognised over the service period, which is usually the vesting period. The fair value of share options granted is to be recognised in the income statement.

The change in accounting policy has been accounted for by restating comparatives as disclosed in note 2 (a).

### 2. Comparative Figures

The presentation and classification of items in the current third quarter financial statements have been consistent with the previous financial period/year except for the following:

(a) Changes in accounting policy explained in note 1.

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance sheet				
at 31 Dec 05				
Securities available				
-for-sale	3,284,735	3,277,490	3,284,735	3,277,490
Other assets	371,825	376,829	371,825	376,829
Deferred tax asset	59,851	53,547	59,851	53,547
Other liabilities	942,517	917,761	942,517	917,761
Reserves	2,155,869	2,172,080	2,155,869	2,172,080

	Group and Bank	
	As restated RM'000	As previously stated RM'000
Income statement for the third financial quarter ended 30 Sept 05		
Other operating expenses	569,686	562,454
Profit before allowance	566,164	573,396
Profit before taxation	573,697	580,929
Profit attributable to shareholders	410,387	415,594
Earnings per RM0.50 share	179.2 sen	181.5 sen

(b) Reclassification to conform the current years' presentation.

Group and Bank	
As	As previously

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

	restated RM'000	stated RM'000
Balance sheet at 31Dec05		
Property, plant and equipment	304,916	310,144
Intangible assets	5,228	-

### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:  
Name: P A Stafford  
Title: Assistant Group Secretary  
Date: 20 November, 2006